

INFORM. INSPIRE. DEVELOP CIVIC LEADERS.

# THE POLICY CIRCLE

## STRATEGIC GIVING AND CIVIC ENGAGEMENT





# STRATEGIC GIVING IN AMERICA



IN THE 1830S, FRENCH SOCIOLOGIST ALEXIS DE TOCQUEVILLE VISITED THE UNITED STATES AND WROTE ABOUT HOW STRUCK HE WAS BY AMERICANS' CIVIC ENGAGEMENT AND CHARITABLE CONTRIBUTIONS. AMERICANS' WILLINGNESS TO JOIN CIVIL ASSOCIATIONS AND DONATE THEIR TIME, MONEY AND EXPERTISE TO CHARITABLE CAUSES IS THE BEDROCK OF AMERICAN SOCIETY.

WITH A VARIETY OF CRISES AND SOCIAL PROBLEMS FACING AMERICA SINCE EARLY 2020, AMERICANS' CHARITABLE DONATIONS AND THE NONPROFIT SECTOR HAVE FILLED GAPS LEFT BY GOVERNMENT AID AND RESPONDED TO CHALLENGES WITH FLEXIBLE AND INNOVATIVE SOLUTIONS.

AMERICANS' CIVIC ENGAGEMENT AND THE NONPROFIT SECTOR ARE CRUCIAL FOR A HEALTHY DEMOCRACY AND EFFECTIVELY RESPONDING TO MANY SOCIAL ISSUES. WHEN POLICIES AFFECT PHILANTHROPY, THEY DIRECTLY IMPACT ACTIVE CIVIC PARTICIPATION.

# ➤ BY THE NUMBERS ◀

THE UNITED STATES IS ONE OF THE MOST CHARITABLE COUNTRIES IN THE WORLD. EACH YEAR, AMERICANS DONATE THE EQUIVALENT OF 2% OF GDP TO CHARITY; THIS IS MORE THAN DOUBLE THE AVERAGE ACROSS THE EUROPEAN UNION'S MEMBER STATES.

IN SPITE OF THE ECONOMIC DOWNTURN DUE TO THE PANDEMIC, AMERICANS' CHARITABLE GIVING FOR THE YEAR 2020 STILL INCREASED COMPARED TO 2019. IN 2020, AMERICANS DONATED A RECORD \$471 BILLION TO CHARITBLE CAUSES.

IN 2020, 77 MILLION AMERICANS VOLUNTEERED 7 BILLION HOURS OF THEIR TIME, PROVIDING A VALUE OF \$167 BILLION. INDEPENDENT SECTOR, AN ORGANIZATION FOR CHARITIES AND NONPROFITS, FOUND THAT AN HOUR OF VOLUNTEER LABOR PROVIDED \$28.54 IN VALUE IN 2021.

THE NATIONAL CENTER FOR CHARITABLE STATISTICS ESTIMATES THAT THERE ARE ABOUT 1.5 MILLION DIFFERENT CHARITABLE ORGANIZATIONS IN THE UNITED STATES. MOST OF THESE ORGANIZATIONS ARE TAX-EXEMPT ORGANIZATIONS THAT FALL UNDER THE IRS'S 501(C) STATUS.

# ➤ GOVERNMENT AND PHILANTHROPY ◀

## GOVERNMENT AND NONPROFIT REVENUE

GRANTS FROM VARIOUS LEVEL OF GOVERNMENT AND VARIOUS FEES FOR SERVICE MAKE UP ABOUT A THIRD OF THE NONPROFIT SECTOR'S OVERALL REVENUE. THE REMAINDER OF NONPROFIT REVENUE COMES FROM CORPORATE DONATIONS, DONATIONS BY LARGER FOUNDATIONS, AND INDIVIDUAL DONATIONS. IN 2020, THE LARGEST SOURCE OF CHARITABLE GIVING WAS INDIVIDUALS.

## TAX INCENTIVES AND CHARITABLE DONATIONS

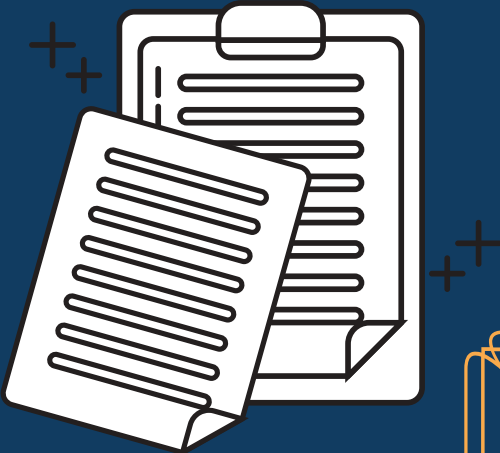
RECENT CHANGES TO THE TAX CODE LIKE THE 2017 TAX CUT AND JOBS ACT AND THE 2021 CARES ACT HAVE CHANGED THE TAX INCENTIVES FOR CHARITABLE DONATIONS. A HIGHER STANDARD DEDUCTION MEANS THAT FEWER LOWER AND MIDDLE INCOME AMERICAN HOUSEHOLDS HAVE A REASON TO WRITE OFF DONATIONS ON THEIR TAXES. THIS MEANS THAT A SMALLER NUMBER OF WEALTHIER DONORS IS RESPONSIBLE FOR A GROWING PROPORTION OF CHARITABLE DONATIONS BY INDIVIDUAL DONORS.

## THE FIRST AMENDMENT AND DONOR PRIVACY

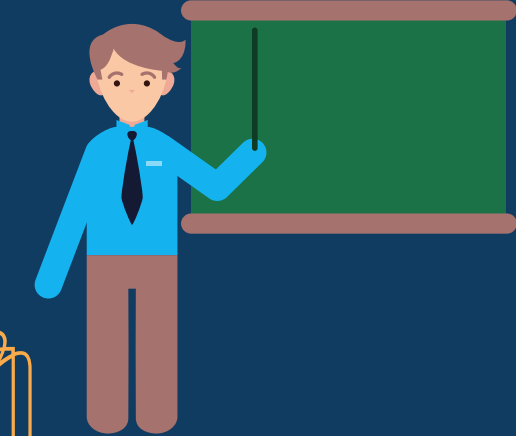
THE IRS COLLECTS THE INFORMATION OF "SUBSTANTIAL DONORS" WHO GIVE AT LEAST \$5,000 TO A NONPROFIT GROUP, BUT THE FIRST AMENDMENT ALSO PROTECTS DONORS' RIGHTS TO NOT HAVE THEIR NAMES AND ADDRESSES PUBLICLY LISTED. THE PRINCIPLE OF DONOR PRIVACY OFTEN RUNS UP AGAINST CAMPAIGN FINANCE LAWS, BUT CAN ALSO PROTECT DONORS FROM THREATS AND HARASSMENT AMIDST INCREASED POLITICAL POLARIZATION.

## ADVOCACY VS. LOBBYING

TAX-EXEMPT 501(C)3 CHARITIES AND NONPROFITS, AS DEFINED BY THE IRS, ARE ALLOWED TO ADVOCATE FOR POLITICAL VALUES, RAISE AWARENESS ABOUT SPECIFIC ISSUES, OR ADVOCATE FOR A VARIOUS POLICY STANCES. IF AN ADVOCACY GROUP ENGAGES IN DIRECT CAMPAIGNING ACTIVITY IN SUPPORT OF A SPECIFIC PIECE OF LEGISLATION OR POLITICAL CANDIDATE, IT RISKS LOSING ITS TAX-EXEMPT STATUS.



# ➤ FRAMING THE ISSUE ◀



## WOMEN AND PHILANTHROPY

SINCE THE 1970S, THE PROPORTION OF HOUSEHOLDS WITH CHILDREN WHERE WOMEN ARE THE PRIMARY BREADWINNER HAS RISEN FROM 15% TO 40%. THIS ECONOMIC POWER HAS MADE WOMEN AN IMPORTANT DONOR GROUP. A STUDY BY THE WOMENS' PHILANTHROPY GROUP FOUND THAT WOMEN GIVE 2/3 OF ONLINE DONATIONS. ABOUT 2/3 OF THIS MONEY GOES TOWARDS WOMEN'S AND GIRL'S CAUSES.

## GIVING CIRCLES

INDIVIDUAL DONORS WHO DECIDE TO POOL THEIR MONEY AND SUPPORT A SINGLE NONPROFIT OR SOCIAL CAUSE FORM GIVING CIRCLES, WHICH ENABLE THEIR MEMBERS TO CREATE A MASSIVE IMPACT AT THE LOCAL LEVEL. A LARGER GROUP CAN TAKE MORE TIME TO RESEARCH CAUSES AND ORGANIZATIONS THEY CARE ABOUT, CREATE A SENSE OF INTENTIONALITY, AND BUILD A RELATIONSHIP WITH A CHARITABLE ORGANIZATION.

## DONOR INTENT

INDIVIDUAL AND INSTITUTIONAL DONORS CAN GIVE UNRESTRICTED DONATIONS, WHICH BE USED FOR ANY LEGAL PURPOSE BY THE RECIPIENT ORGANIZATION, OR RESTRICTED DONATIONS, WHICH GENERALLY INVOLVE A GIFT AGREEMENT SPECIFYING PRECISE PURPOSES AND RESTRICTIONS ON HOW THE MONEY CAN BE SPENT. FEDERAL AND STATE LAWS GIVE DONORS THE RIGHT TO SUE ORGANIZATIONS THAT DON'T USE CHARITABLE GIFTS AS INTENDED.

## DONOR PRIVACY

501(C)(3)S AND 501(C)(4)S ARE NOT REQUIRED TO DISCLOSE DONORS. BECAUSE 501(C)(4)S ARE ALLOWED TO PARTICIPATE IN POLITICAL ACTIVITIES, SOME CRITICS BELIEVE THAT NONPROFIT ORGANIZATIONS SHOULD BE REQUIRED TO DISCLOSE DONORS IN THE NAME OF TRANSPARENCY. OTHERS BELIEVE DISCLOSURE COULD HURT FREE EXPRESSION AND DISCOURAGE PARTICIPATION. ANOTHER ARGUMENT IS THAT INDIVIDUALS WHO DONATE CANNOT BE HELD ACCOUNTABLE FOR AN ORGANIZATION'S ACTIONS SINCE THEY CANNOT CONTROL WHAT AN ORGANIZATION DOES OR SAYS.



# ➤ SOLUTIONS ◀

## DETERMINE WHERE AND HOW TO ALLOCATE YOUR RESOURCES

STRATEGIC AND INTENTIONAL GIVING EMPOWERS INDIVIDUALS TO MEANINGFULLY IMPACT THEIR COMMUNITIES, AND ADVANCE CAUSES IN ACCORDANCE WITH THEIR PERSONAL VALUES AND GOALS. CONSIDER DIFFERENT AREAS OF FOCUS, SUCH AS FAITH, CIVIC ENGAGEMENT AND ECONOMIC EMPOWERMENT. SPHERES OF CARE SPEAK TO WHERE YOU ARE FOCUSED: ON ORGANIZATIONS THAT IMPACT YOU AND YOUR COMMUNITY, INTERNATIONAL CAUSES, OR SOMEWHERE IN BETWEEN ON THE STATE OR REGIONAL LEVEL?

## CHOOSING YOUR CHARITABLE CAUSE

WEB-BASED TOOLS LIKE GUIDESTAR ALLOW POTENTIAL DONORS TO EVALUATE THE POTENTIAL IMPACT OF THEIR DONATIONS TO VARIOUS DONATIONS THE WAY AN INVESTOR WOULD RESEARCH THE PROFITABILITY OF VARIOUS STOCKS. OTHER FACTORS LIKE HOW STRONGLY YOU FEEL ABOUT VARIOUS CAUSES, THE GEOGRAPHIC AREA YOU WOULD LIKE TO IMPACT CAN ALL BE CONSIDERED WHEN CHOSING AN ORGANIZATION TO DONATE TO.

## ALIGNING TAX INCENTIVES WITH CHARITABLE GIVING

GOVERNMENT SOCIAL PROGRAMS AND NONPROFIT/CHARITY GROUPS SHOULD BE SEEN AS TWO COMPLEMENTARY PART OF AMERICA'S SOCIAL SAFETY NET THAT HAVE DIFFERENT STRENGTHS AND WEAKNESSES FOR ADDRESSING VARIOUS ISSUES. THE TAX SYSTEM CAN TAKE THIS INTO ACCOUNT AND FOSTER THE NONPROFIT ECOSYSTEM BY INCENTIVIZING INDIVIDUAL AND CORPORATE CHARITABLE DONATIONS.

# ➤ WHAT YOU CAN DO ◀

## MEASURE -

CONSIDER ORGANIZATIONS YOU KNOW OF, HAVE DONATED TO, OR THAT ARE CLOSE TO YOUR COMMUNITY. RESEARCH: WHAT KINDS OF PROGRAMS DO THEY RUN? ARE THEY RATED ON GUIDESTAR? RUN A SIMPLE INTERNET SEARCH – ARE THEY IN THE NEWS? HOW DOES THE ORGANIZATION MEASURE IMPACT? WHAT ARE THE STATED OUTCOMES?



## IDENTIFY -

FOR THE ORGANIZATIONS: WHAT ARE THEIR SOURCES OF FUNDING? WHAT PERCENTAGE COMES FROM THE GOVERNMENT? WHO ARE THE BENEFICIARIES OF THESE PROGRAMS? DO YOUR LOCAL REPRESENTATIVES KNOW ABOUT THE ORGANIZATIONS THAT YOU SUPPORT?



## REACH OUT -

FIND ALLIES AND BUILD COMMUNITY NETWORKS.  
TALK TO COMMUNITY MEMBERS TO SEE THEIR VISIONS FOR THE COMMUNITY AND UNDERSTAND THEIR CONCERNS.  
MEET THE LEADERS OF YOUR LOCAL COMMUNITY ORGANIZATIONS

## PLAN -

SET MILESTONES, DON'T TRY TO DO IT ALL AT ONCE.  
USE THE MATRIX ABOVE TO DEFINE YOUR FOCUS AND PLAN OUT YOUR GIVING.



## EXECUTE -

DO YOUR RESEARCH: LOOK UP THE TAX STATUS OF YOUR FAVORITE NONPROFIT ORGANIZATION. ARE THEY A 501C3? ARE THEY A PRIVATE OR PUBLIC CHARITY? DO THEY HAVE A 501(C)(4) ARM? CONSIDER CREATING AN ENGAGEMENT SCORECARD – WHAT ARE THE MAIN AREAS FOR CONCERN, WHAT'S BEING DONE, AND IS THERE ROOM FOR BENEFICIAL INVOLVEMENT?  
FOCUS YOUR GIVING ENGAGEMENT - HOW AND IN WHAT AREAS DO YOU WANT TO MAKE AN IMPACT?